

City Council Budget Workshop

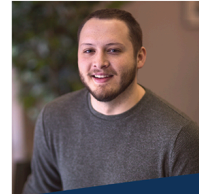
May 9, 2017



Proposed Annual Budget for
July 1, 2017 – June 30, 2018



Springfield, Missouri
Proposed
Annual Budget
FY 2017-2018



Budget Workshop Calendar



1. Overview May 2
2. Revenue & Pre-commitments May 9
3. Proposed Funding Priorities May 16
4. Proposed Funding Priorities Continued
May 23
5. Continued Discussion if needed May 30

Budget Workshop #2

May 9, 2017

Budget Workshop #2 provides a review of the revenue projections for fiscal year 2017-2018 (July 1, 2017- June 30, 2018) and explains all revenue sources identified for the creation of the budget.



Today's Agenda:

1. **City of Springfield Budget Process and Definition**
2. Guidelines for Budget Development
3. City Manager's Analysis & Budget Recommendations
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6. Fiscal Year 2018 Revenue Highlights & Projections
7. One-Time Funding Sources Used to Balance FY18 Budget
8. New Funding Model Proposal

About Our Budget

The annual budget is a financial proposal that directs the provision of public services and facilities. The services provided by the City are based on the available revenues (funds) from all sources as approved in our annual budget.

In 2017, the City of Springfield's Finance Department received the Government Finance Officers Association (GFOA) Distinguished Budget Award for its budget presentation for a tenth consecutive year.



Where to Find Budget Details:

- Throughout the budget workshop process (May 1 – June 30), the public has access to both the proposed budget and the later adopted budget online at Springfieldmo.gov/Budget and at Springfieldmo.gov/OpenData (our data portal).
- On both of these web pages, there are links to full line item detail reports in addition to helpful summaries.
- Printed copies of the proposed budget are available at a cost of \$45.44 (the cost of printing).

Budget Process

In accordance with Section 5.8 of the City Charter, the City's budget process is led by the City Manager, who is required to present a proposed balanced budget to City Council annually by May 1. A series of City Council budget workshops allow City Council to publicly discuss, modify and rebalance the budget before a new fiscal year begins annually on July 1.



CHARTER REQUIREMENTS: Section 5.8 also states, in summary: The budget shall provide a complete financial plan for the budget year. It shall include the following:

- An itemized statement of estimated revenues, including comparison to prior years.
- An itemized statement of proposed expenditures recommended by the city manager for each office, department or agency
- A statement of the amount required for the payment of interest, amortization and redemption charges on the debt for the city
- Provision for contingent expense in the amount not to exceed five percent of the total operating expenditures proposed
- A general budget summary
- Other information as the city manager may deem essential or required by ordinance or law

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Budget Guidelines

The following general guidelines have been followed in the financial management of the City and in the development of the annual budget.

These allow the City to deliver a consistent level of service, while maintaining a stable financial position and equitable tax structure.

- Provide the best service possible of general governmental services funded from current resources
- Maintain fund balance (reserve) at a level of 20% of operating funds budget
- Provide employees with competitive pay and benefits competitive to the market and region
- Provide a consistent level of service through appropriate use of non-recurring funds that will not be used for on-going expenses
- Continue to look for **new sources of revenue** to improve the balance in the revenue structure via less reliance on sales tax due to its volatility
- Maximize cost recovery through fees for municipal services, consistent with City Council direction
- Seek the best level of service at the least cost

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City Manager's Analysis & Budget Recommendations

The proposed budget focuses on **public safety**, **economic growth** and **operational efficiencies**, while funding some of the needs within all areas of the organization and remaining a balanced budget.

FY18 Budget Priorities



Public safety *(including prior City Council commitments to fund 21 additional police)*



Economic growth

And...Operational Efficiencies



Employee safety



Employee recruitment & development



Employee succession planning

City Manager's Analysis & Budget Recommendations

The proposed budget focuses on **public safety**, **economic growth** and **operational efficiencies**, while funding some of the needs within all areas of the organization and remaining a balanced budget.

Challenges Creating the Budget:

- Sales tax revenue is coming in below budget for FY17.
- General Fund total revenue for FY18 is projected to be slightly up, but sales tax is projected to be down in FY18 compared to FY17 budget.
- Significant prior-year commitments consume much of that projected revenue.
- Although City departments are efficiently run, the increasing costs of operations are outpacing revenue growth.
- The City continues to have more needs than revenue will fund.
- The lack of a lifecycle capital replacement funding source is urgent.

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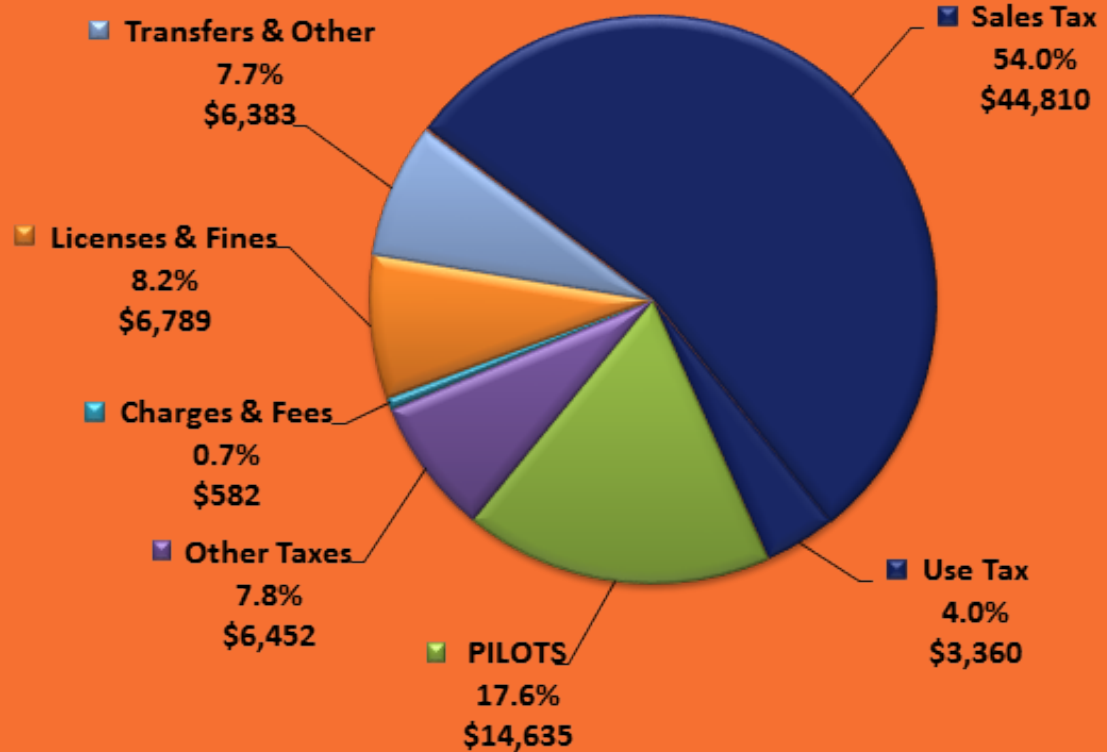
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The City's Revenue Sources

The City's operations are classified into funds for budget purposes.

These funds are classified as general, special revenue, grant, capital revenue, grant, capital projects, debt service, enterprise and internal service.

FY18 Operating Budgeted Resources \$348 million total budget

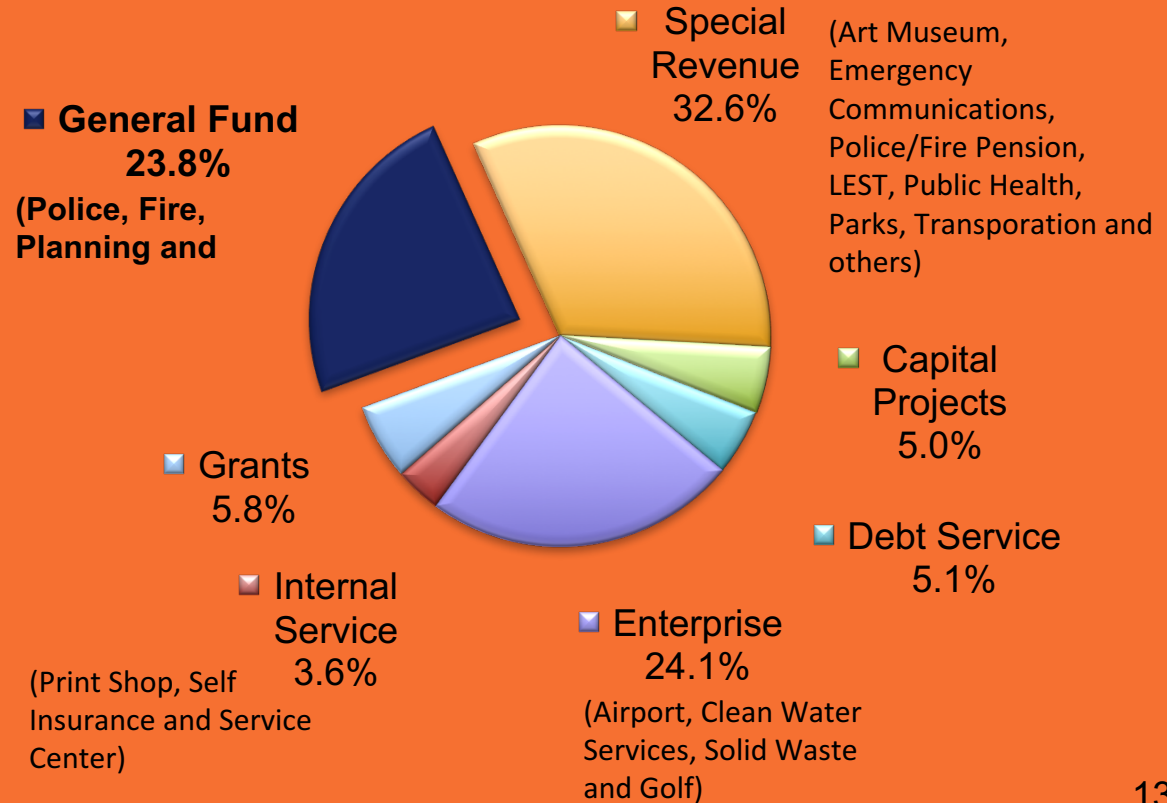


The City's Revenue Sources

The City's operations are classified into funds for budget purposes.

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FY18 General Fund's Relationship To Total Budget \$348 million total budget

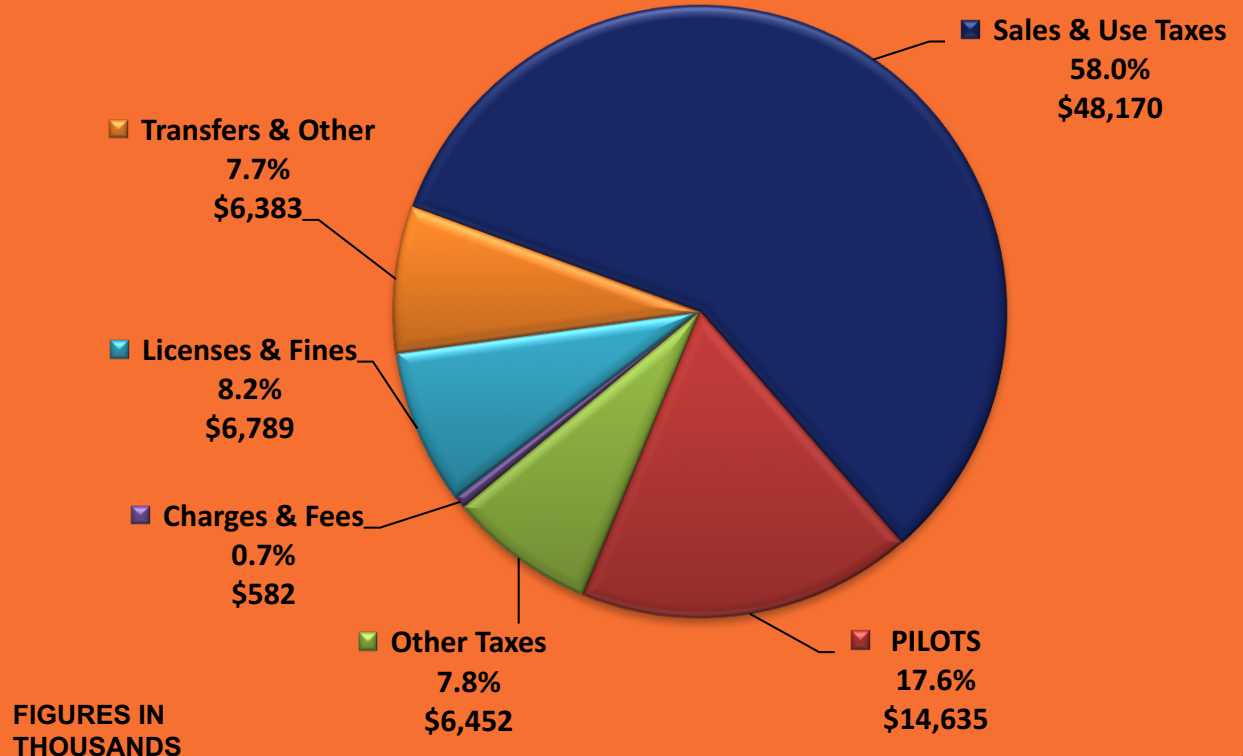


The City's Revenue Sources

The General Fund has five major revenues sources: sales and use tax, payments in lieu of taxes (PILOTs), other taxes and licenses/permits/fines.

The largest share of General Fund operating revenues (58%) comes from sales and use tax, both of which are unpredictable and not keeping pace with operational demands.

FY18 General Fund Revenue Sources by Type \$83 million budget



FY 18 Revenue Highlights & Projections

Sales tax shortfall is being offset by increases that are occurring from other sources: Increased PILOTs and higher than anticipated use tax receipts.

Other Taxes:

Gross Receipts – a gross receipts tax on all telecommunications companies and cable television suppliers in the City. (\$5,570,000)

Cigarette Tax – taxes imposed on the sale of cigarettes in the City. (\$750,000)

Room Tax – tax derived from hotel and motel room rentals. (\$132,000)

FY 18 Revenue Highlights & Projections

Sales tax shortfall is being offset by increases that are occurring from other sources: Increased PILOTs and higher than anticipated use tax receipts.

Fees and Charges – excluding Hazelwood (which takes into account market rate), Sales of assets; surplus equipment sales; Zoning and economic development fees; Engineering construction inspection; Liquor investigation fees – \$582,500

- All fees for all funds we are currently recovering 92.35% of our cost.
- When fees change on July 1, we will be recovering 95.85% of the cost.
- Of the 240 charges evaluated last year, only 13 are not at 100% cost recovery.

FY 17 Revenue Highlights & Projections

Sales tax shortfall is being offset by increases that are occurring from other sources: Increased PILOTs and higher than anticipated use tax receipts.

Licenses and Fines – \$6,789,000

Occupations Licenses – \$3,965,000 (Business licenses)

Permits – \$1,706,000 (Building and related permits generated by BDS)

Fines, Forfeitures, court costs and recoupments – \$1,118,000
(Related to Municipal Court activities)

Transfers and other – The largest component of this section is the cost allocation transfer for administrative costs incurred by the General fund for Non-General Funds, better known as the overhead charges. In addition, included in this category is any fund balance appropriation used in the current budget.

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FY17 General Fund Revenue Summary

Current Year Ending June 30

General Fund Revenue Summary

Sales Tax

PILOTS

Use & Other Taxes

Licenses, Fines & Fees

Transfers and Other

Subtotal (before FB Approp.)

Fund Balance Appropriations

Total GF Revenues

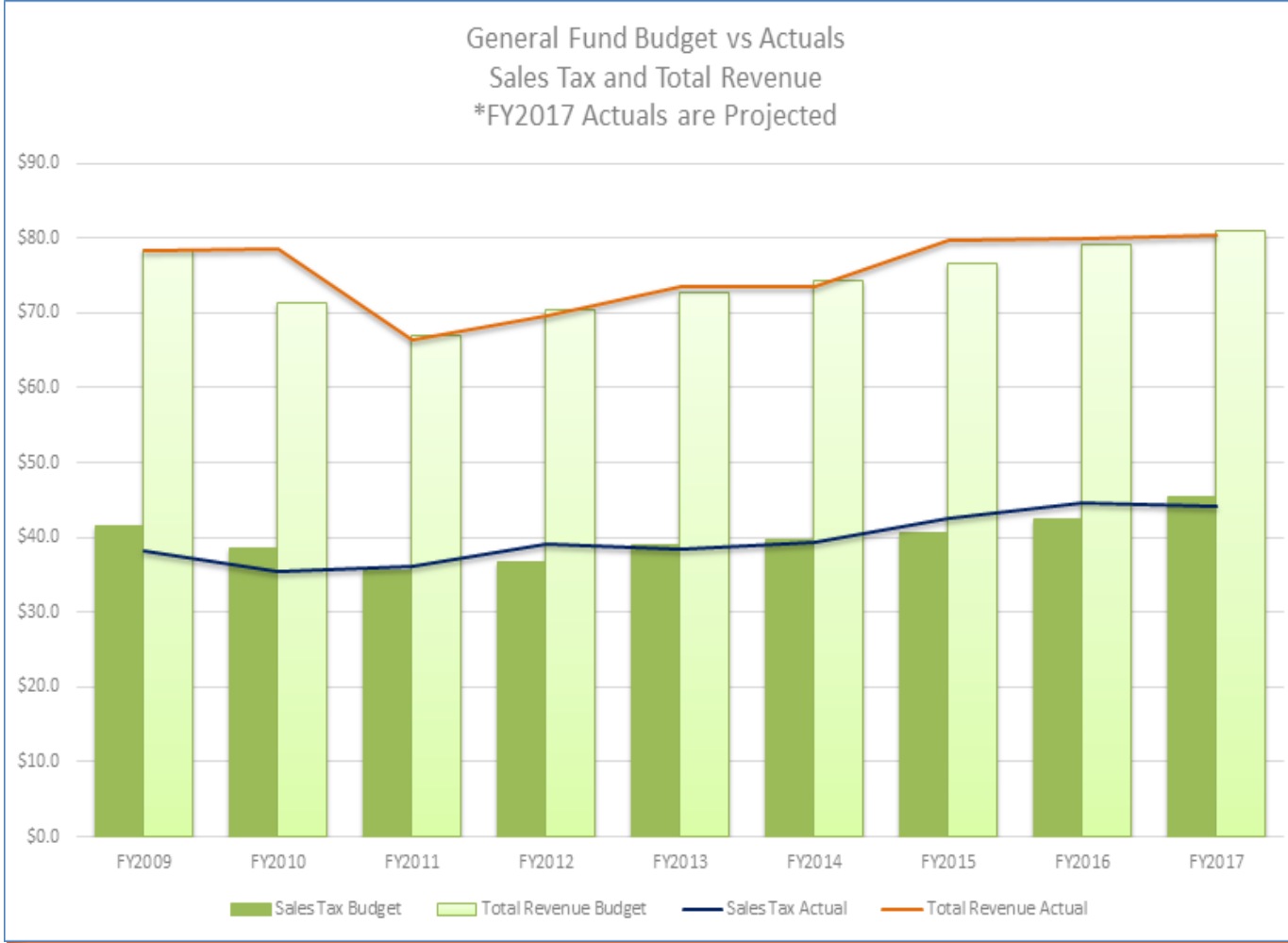
FY2016		FY2017	
Adopted Budget	Actual	Adopted Budget	Anticipated Actual
\$ 42,500,000	\$ 43,890,784	\$ 45,400,000	\$ 44,141,000
		↓ 2.77%	
		↑ 6.8%	
14,467,000	13,531,080	13,670,000	14,238,000
10,206,500	10,512,578	9,996,500	9,854,000
7,307,717	7,380,494	6,857,000	7,418,000
4,662,187	4,687,508	4,834,014	4,667,000
\$ 79,143,404	\$ 80,002,444	\$ 80,757,514	\$ 80,318,000
		↑ 2.0%	
-	-	130,179	130,179
\$ 79,143,404	\$ 80,002,444	\$ 80,887,693	\$ 80,448,179

The Story of FY 17:

Two things are helping to offset some of the expected FY17 sales tax shortfall:

- 1) Increases in other revenues**, such as payments in lieu of taxes (PILOTs) from City Utilities and licenses, fines and fees.
- 2) FY16 Carryover Funds**, including \$300K proposed this year to jail expenses and \$700K to cover revenue shortfall come forward as a budget adjustment.

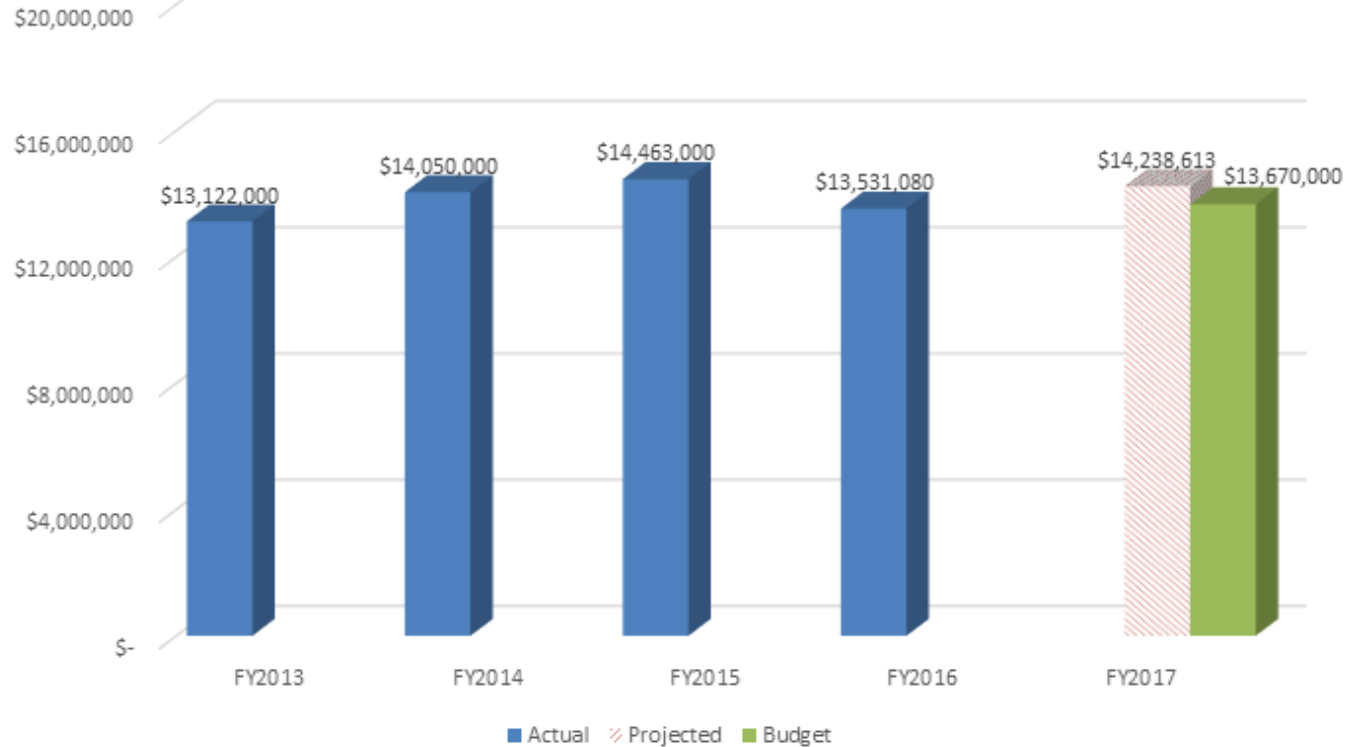
FY 17 Revenue Highlights & Projections



FY 17 Revenue Highlights & Projections

Sales tax shortfall is being offset by increases that are occurring from other sources: Increased PILOTs and higher than anticipated use tax receipts.

City Utilities PILOT



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FY18 General Fund Revenue Summary

General Fund Revenue Summary

	FY2017			FY2018
	Adopted Budget	Anticipated Actual		Proposed Budget
Sales Tax	\$ 45,400,000	\$ 44,141,000	↑ 1.5%	\$ 44,810,000
PILOTS	13,670,000	14,238,000		14,635,000
Use & Other Taxes	9,996,500	9,854,000		9,812,000
Licenses, Fines & Fees	6,857,000	7,418,000		7,371,500
Transfers and Other	4,834,014	4,667,000		4,816,511
Subtotal (before FB Approp.)	\$ 80,757,514	\$ 80,318,000		\$ 81,445,011
Fund Balance Appropriations	130,179	130,179		1,566,209
Total GF Revenues	\$ 80,887,693	\$ 80,448,179		\$ 83,011,220

FY 18 Revenue Highlights & Projections

A proposed \$83 million General Fund budget is pieced together using some sources of one-time funds.

The Story of FY18:

Overall, the projected increase in budgeted total revenue for the General Fund for FY2018 is approximately \$700,000, or 0.9%.

The projected increases are based upon the following changes in revenue sources:

Sales and Use Tax decrease of \$230,000

PILOT increase of \$965,000

Other Taxes decrease of \$545,000

Licenses & fines increase of \$532,000

Charges and fees decrease of \$18,000

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Addressing Immediate Needs

Vacancy Savings:

\$655,000 in vacancy savings unpredicted in FY17 is being proposed to be used to fund some immediate needs.

This will be presented to City Council as a proposed adjustment to the FY17 budget.

The remaining vacancy savings carryover balance will be part of a FY18 budget adjustment to help cover a variety of one-time funding needs.

FY 18 Revenue Highlights & Projections

A proposed \$83 million General Fund budget is pieced together using some sources of one-time funds.

Sources of One-Time Funds:

The FY18 Proposed Budget is pieced together using some unusual sources of one-time funds that are not available in future years.

- Prior service credits - \$714,000
- Remaining FY 16 carryover funds – \$700,000
- Set aside monies for COPs grant – \$621,000

FY 18 Revenue Highlights & Projections

A proposed \$83 million General Fund budget is pieced together using some sources of one-time funds.

- **Prior service credits**

\$714,351 of one-time Prior Service Credit funds that have not been utilized in the purchase of prior service credit by the applicable police and fire fighters that voluntarily moved into the LAGERS retirement plan.

FY 18 Revenue Highlights & Projections

A proposed \$83 million
General Fund budget is
pieced together using some
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- **Remaining FY16 Carryover Funds**
\$1.7 million
- **\$300,000** for FY17 jail and inmate transport costs
- **\$700,000** for FY17 revenue shortfall
- **\$700,000** budgeted for a portion of FY18 jail and inmate transport costs

FY 18 Revenue Highlights & Projections

A proposed \$83 million General Fund budget is pieced together using some sources of one-time funds.

- **Set aside monies for COPS grant**

The required one-third budget carve-out for these prior commitments total:

\$621,000 for FY2018 and an **additional** \$506,000 in FY2019

This FY2018 set-aside, while available for one-time expenses, is not available for salaries or other ongoing expenses.

PRIOR YEAR COMMITMENTS

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
	33.3%	66.6%	100.0%				
10 Police Officers (July 2015 Start)-Available for One-Time	97,999	221,532	366,589				594,060
10 Police Officers (July 2015 Start)-Match	67,722	63,738	67,722				
		30.5%	63.8%	97.2%	2.8%		
11 Police Officers (August 2016 Start)-Available for One-Time		99,406	237,856	400,821	17,382		663,683
11 Police Officers (August 2016 Start)-Match		67,745	70,775	75,198			
2-Police Services Representatives-Hired last Quarter of FY2016		63,750					
FY2017 Budget Amendment for 2.4 positions paid from Fund Balance for FY17 and FY18		-	-	151,765			
			19.4%	52.7%	86.0%	13.9%	
Proposed-7 Firefighters (Fall 2017 Start)-Available for One-Time			17,040	104,973	138,234	55,856	421,934
Proposed-7 Firefighters-Match			51,594	43,147	112,610	54,824	
Total Needed Per Year	165,721	516,172	811,578	775,905	268,227	110,681	
Available for One-Time Expenditures	97,999	320,938	621,486	505,794	155,616	55,856	

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New Funding Model

The Need for Capital Improvements

- **Very few capital improvements have been funded via the City's General Fund during the past decade**
 - The General Fund is typically used for ongoing, operational expenses (79% personnel)
- **Very little capital is funded in the City Manager's proposed FY18 General Fund budget.**
- **Most capital needs remain unfunded – many are related to public safety and public facilities**

New Funding Model

Funding needed for Capital Improvements

- Need a new source of revenue to supplement General Fund to allow the City to address the community's most urgent needs.
- Need a new source of revenue that does not require a tax increase (per commitment to voters prior to Police-Fire Pension Sales Tax passage)

New Funding Model

Examples of Unfunded Capital Needs

- Lifecycle replacement of police vehicles and equipment
- Lifecycle replacement of fire apparatus, other vehicles and equipment
- Critical public safety infrastructure, such as fire stations and the public safety communication system
- Renovation and maintenance of public facilities, such as Fire Station roof replacement life cycle, station masonry improvements and mechanical improvements; a new Animal Shelter facility and upgrading Historic City Hall
- Large-scale stormwater needs

New Funding Model

We Have the Plans; Not the Funds

- We have a Capital Lifecycle Replacement Funding Plan
 - We have insufficient funds available to meet this need
- We have a Facilities Maintenance Needs list
 - We have insufficient funds available to meet this need

New Funding Model

The Proposal

- Ask the voters to allow the City for the flexibility to continue to use “Level Property Tax” funds to address critical capital improvement needs, including implementation of a capital lifecycle funding plan, in addition to continuing to fund large-scale capital projects via bonding

New Funding Model

What is the Level Property Tax?

- Instituted in the 1980s– 27 cents on each \$100 of assessed value
- Renewed by voters in 2001 and 2004
- Previously used to fund large-scale capital projects:
 - Fire station construction, apparatus, and associated equipment
 - Emergency storm warning system
 - Jordan Valley Park land acquisitions
 - Stormwater projects
 - Public facilities maintenance
- Primarily funded via issuance of debt
 - Bonds issued and paid off over multiple years
- Tax sunsets when last bond payment is made
- Currently generates approximately \$8.5 million annually
- Approximately 2% growth annually

New Funding Model

What is the Level Property Tax?

- Self-imposed caps by project category
 - Explanation Sheet; not referenced in ballot language
- Has been at or near maximum bonding capacity for many years
- Used to replace fire apparatus and police cars
- As pay down/off debt in future years, more “headroom” to address urgent needs within next few years

New Funding Model

Why is the Timing Right?

- When the Level Property Tax was originally established and proposed to voters, it was proposed to be a fixed amount: 27 cents per \$100 of assessed value (i.e., a “level” tax)
- Some past projects funded by the Level Property Tax are “rolling off” (completing bond payments), so some funds will be available in FY18 and beyond to address urgent capital improvement needs

New Funding Model

Possible Strategy

- **Seek voter approval to continue use of this funding source for public capital improvements, at no additional cost to the taxpayers**
- **Use available “headroom” funds for:**
 - **Pay-as-you-go strategy to fund capital lifecycle replacements for assets with shorter expected lifespan (e.g., police vehicles, police equipment, fire apparatus, fire vehicles, fire equipment, etc)**
 - **Issue debt for construction of capital assets with longer expected life**

New Funding Model

Possible Strategy

- **Sunset most of tax in 22 years**
 - **Years 1-2: Fire station design, bidding, prep**
 - **Years 3-22: Pay off 20-year bonds**
- **Seek continuation of small portion of tax to fund ongoing costs for some urgent public safety needs**
 - **Police Department: Staffing for Domestic Violence Unit (FY18 budget request)**
 - **Fire Department: Staffing for two new fire stations to address “red zones” per recent fire deployment analysis**
 - **Public Works: Staffing to maintain facilities**

New Funding Model

Discussion

- Is this a funding option for public safety and public facilities that City Council would consider?
- If so, staff can provide additional information regarding . . .
 - Level Property Tax – “Headroom” moving forward
 - Capital project needs that could be addressed

Budget Workshop Highlights / Takeaways

- The City's needs continue to far exceed available funding. Far more budget requests were received than can be funded.
- Proposed funded needs take into account resources needed in all operating units to maintain that level, but priorities in the proposed budget are public safety, economic growth, increasing operational efficiencies.
- The future economic climate is uncertain and changing and revenues for FY17 are down, so we have a conservative revenue estimate for FY18.
- FY 18 sales tax is projected below budgeted FY 17 levels. Overall, general fund revenues are projected to increase 0.9%, but that is due to projected increases in PILOTs and thanks to the use of one-time funds only available this year.

Budget Workshop Highlights / Takeaways

- The City is maintaining an appropriate reserve level and Moody's high bond rating and other broad fiscal indicators illustrate that the City's overall financial health is strong.
- The City's need for a lifecycle capital replacement funding source is becoming urgent.
- It has been difficult and we're getting squeezed on both revenue and expense sides as the COPS grant approval pre-committed future new revenues and revenues are not keeping pace with inflation.
- We're faced with the continuing and unusual large expense of transporting and housing inmates (almost \$1 million). This is being addressed by one-time funds in both FY17 and FY18.
- This year's budget is cobbled together using four, unusual, one-time funding sources as a one-year stop gap.
- Level Property Tax proposal provides possible funding tool.

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Questions?

